

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

John M. Johnson

95-03176

Name of Respondent

Smith Barney Shearson, Inc.

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on June 30, 1995, Claimant John M. Johnson ("Claimant"), who appeared Pro Se, alleged that Respondent Smith Barney Shearson, Inc. ("Respondent") failed to redeem his Ray-Thomas Memorial Presbyterian Church bonds (the "Bonds") when they were called on May 27, 1992. Claimant further alleged that Respondent received notice of the call on two separate occasions with the later being sent certified mail. Claimant contended that his wife owned some of the same Bonds and that her Bonds were also held by Respondent. Claimant further contended that he was notified of the call but only after activity in his wife's account in October of 1994 revealed that a call had been issued. Claimant alleged that Respondent paid him interest at an undisclosed "money market rate" for the period after the redemption date, and that that interest was inadequate as it was far below the Bond's rate. Claimant further alleged that as a result of the above, he has suffered a loss for which the Respondent should be held liable.

Respondent Smith Barney Shearson, Inc. through its representative and in-house counsel, Ellen Slipp, Esq., maintained that Claimant purchased the Bonds on his own volition conducting all relevant research and taking all responsibility for monitoring such investment. Respondent further maintained that as a courtesy Claimant's account executive placed the Bonds in the account he held with Respondent. Respondent contended that it was not notified about the Bond redemption but nevertheless, in an act of good will, it paid Claimant interest, at money market rates, on the principal amount of the Bond for the period after the call date. Respondent further contended that Claimant desires an inflated interest rate because at the time the Bonds were called, the marketplace was not offering high rate returns without a considerable increased risk over that which the Bonds offered. Respondent maintained that any increased risk makes the Claimant's position that he could have earned more money than the money market rate untenable as such gains would have to be reduced by the increased risk of loss. Respondent further maintained that as a result of the above, it should not be held liable.

RELIEF REQUESTED

Claimant John M. Johnson, requested \$10,000.00 in actual damages plus interest and costs.

Respondent Smith Barney Shearson, Inc., requested that the claims of the Claimant be dismissed.

AWARD

Pursuant to Section 13 of the NASD, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Richard Allen Kaye, Esq., was selected to review the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on June 24, 1995, and by the Respondent on October 2, 1995.

And, the Arbitrator, having considered the proof of the parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. The Respondent Smith Barney Shearson, Inc. is liable and shall pay to the Claimant John M. Johnson \$3,487.78 in actual damages.
2. The Respondent Smith Barney Shearson, Inc. is liable and shall pay to the Claimant John M. Johnson 7% simple interest on the actual damages from February 1, 1995 to the date of the Award.
3. The Respondent Smith Barney Shearson, Inc. is liable and shall pay to the Claimant John M. Johnson simple interest at the rate of 12% on the above commencing 30 days after the date of the Award until date of payment of the Award.
4. The parties shall bear their respective costs .
5. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant shall be retained by the NASD, Inc. The Respondent Smith Barney Shearson, Inc. is liable and shall pay to the Claimant John M. Johnson \$150.00 as reimbursement of the filing fee.
6. All other relief requests are denied.

AFFIRMATION

I, **RICHARD ALLEN KAYE, ESQ.**, do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.



Richard Allen Kaye, Esq.

DATE OF DECISION: April 19, 1996